April 9, 2008

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Securities Office, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
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Suite 1903, Box 55
Toronto, Ontario, M5H 3S8
Email: jstevenson@osc.gov.on.ca

and

Anne-Marie Beaudoin, Directrice du secretariat
Autorité des marchés financiers
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C.P. 246, Tour del la Bourse
Montréal (Québec) H4Z 1G3
Email: consultation-en-cours@lautorite.qc.ca

Dear Mr. Stevenson and Ms. Beaudoin:

SUBJECT: Proposed National Instrument 23-102 – Use of Client Brokerage Commissions as Payment for Order Execution Services or Research Services and Companion Policy 23-102CP

Greystone Managed Investments Inc, (GMI) is very appreciative of the opportunity to comment on the "Revised" Notice of Proposal NI 23-102 Use of Client Brokerage commissions as Payment for order Execution Services or research Services and Companion Policy 23-102CP.

As part of our original submission, dated October 16, 2006, we outlined Greystone's corporate background and the philosophy/process by which we manage our clients' overall trade execution expenses, including those used to pay for certain trade execution and research services. Therefore, to avoid redundancy, we will not replicate the discussion in this submission. Suffice it to say, that GMI strongly supports the principles of "best execution" and "full and fair disclosure "of commission arrangements managed on behalf of clients.

It is clear that the Canadian Securities Administrators (CSA) completed a thorough review of the industry comments it received in response to the original NI 23-102 proposal. In general, we believe that the proposed amendments that resulted from this review are, both appropriate and actionable. We applaud the efforts of the CSA because this is a critical step with regard to keeping this important initiative moving forward.

GMI believes that the fundamental principle that should be explicitly embedded in securities regulation is the right of clients to receive full and fair disclosure of the details related to the management of their investment commission expenses. Investment commissions are the property of clients and therefore they have every right to transparency concerning all aspects of its management.

Of less concern are the minute details of how appropriate levels of transparency are achieved. The ultimate test of this regulation should be: "How well are a manager's clients being served in regard to investment commission disclosure?" In our view, if the necessity for full and fair disclosure is indelibly established in regulation and, augmented with appropriate guidelines, a set of industry "best practices" will quickly evolve. Moreover, on an ongoing basis, client expectations and the investment management industry's inherent competitiveness will ensure that "best practices" will be maintained at a high level.

GMI is pleased to learn that the term "soft dollars" has been removed from the Canadian regulatory lexicon. Not only does this bring the Canadian reference into conformity with the British Financial Services Authority (FSA) and the US Securities Exchange Commission (SEC), but more importantly, it communicates a broader more constructive regulatory focus.

GMI very much agrees with the view that client disclosure should be on the basis of the nature of the service, not the source of the service. If a service truly contributes to "best execution", for a client, then the source of the service is of comparatively little consequence.

GMI considers the shift to a "style agnostic" evaluation of execution and investment research services, a very positive development. In our opinion, quantitative services were previously unfairly penalized in comparison to qualitative/narrative based services. Quantitative tools, that use raw data as the sole input, are an important and integral part of many Canadian managers' investment processes.

One issue that GMI is not totally comfortable with concerns the lack of clarity regarding a manager's obligation to disclose other services received as a result of trades conducted, on a principal basis. We very much appreciate that in some instances, complete information is simply not available to provide detailed disclosure. However, we are concerned that the current proposal leaves open the possibility that all such principal trade related arrangements could be viewed as exempt from managers' disclosures. In such instances, we believe managers do have a responsibility to disclose to clients whatever information is available. For example, such disclosure might include:

- A listing and description of the services that are received as a result of trades executed on a principal basis.
- An estimate of the total 'execution cost" of the principal trades, based upon industry estimates of average bid ask spreads that typically would apply to the related trades.
- Based on the point above, an implicit estimate of the range of value attributable to the non-execution services received.

In this way, clients would be made aware of what services are being paid for and a general estimate of the related costs. Although imprecise, surely such disclosure would be far superior to no disclosure at all.

Comments on Specifically Identified Issues

Question 1:

What difficulties might be caused by a temporal standard for order execution services that might differ from the standard applied by the SEC, especially in the absence of any detailed disclosure requirements in the U.S.? In the event difficulties might result, do these outweigh any benefit from having a temporal standard that results in consistent classification of goods and services based on use?

In our view, the temporal standard for assessing the appropriateness of execution services is clearly, the correct one. It is the criterion that most closely aligns with the core objective of "best execution". Logically, any service which is utilized during the continuum of the trading process and improves "best execution" to the client's benefit should be considered as an "eligible" service. Some proforma allocation may be necessary if a portion of the service also accrues to the manager's benefit.

We do not foresee any material problems arising from differences in criteria applied by the SEC in the United States. If there are perceived problems, it is difficult for us to understand how they would outweigh the benefits of the temporal standard.

Question 2:

What difficulties might be encountered by requiring the estimate of the aggregated commissions to be split between order execution and goods and services other than order execution? What difficulties might be encountered if instead the requirement was for the aggregate commissions to be split between research services and order execution services?

Our assessment of total commission trading costs is that they are comprised of up to three components.

1. *Execution Only* costs are the core expenses directly attributable to trading – i.e. the set of business expenses, including an appropriate profit margin, which broker/dealers incur in executing trades.
2. *Research Services* costs are those ancillary services as discussed in 23-102 that can add to an investment manager's decision making process, and by extension, contribute to "best execution". These services are provided either by a broker/dealer or by a third party.
3. *Order Execution* costs are those services, which are also discussed in 23-102 that can add to the proficiency of the trade execution process and by extension contribute to "best execution". Typically these services are provided by third parties.

Ideally, from the client's perspective, all three of these costs should be delineated and disclosed.

Execution only costs will vary from trade to trade. Firstly, both fixed and variable business costs will vary from one broker to another. Also, the nature/difficulty of specific trades will vary. For example to facilitate a trade, a broker may have to utilize some of its own capital, an additional expense. However, as execution only trading becomes more prevalent, we believe that industry competitive benchmark standards will be established, as to what constitutes execution only costs. This may be more difficult in the case of principal trading, but as outlined earlier, we believe that increasingly, there will be a sound basis of estimating what execution only costs should apply to principal trades. Again, the fact that these costs are estimates is not, in our view, a valid reason for nondisclosure.

Once execution only costs have been established, the other two combined costs are simply the difference between the trade's total costs and its execution only component. Third party service expenses are easily determinable because they can be traced to specific invoices. Subtracting the third party costs leaves the amount attributable to the services provided by the broker.

Finally, the distinction between research and execution services should be quite straight forward – i.e. by the nature of the service. Many of these distinctions have already been discussed in 23-102.

Clearly, as this process unfolds, it will require that broker/dealers itemize the "other services " they offer and or provide and, investment managers in order to document their commission management practices, will have to identify specifically which broker/dealer services they paid for.

Question 3:

As order execution services and research services are increasingly offered in a cross-border environment, should the Proposed Instrument allow an adviser the flexibility to follow the disclosure requirements of another regulatory jurisdiction in place of the proposed disclosure requirements, so long as the adviser can demonstrate that the requirements in that other jurisdiction are, at a minimum, similar to the requirements in the Proposed

Instrument? If so, should this flexibility be solely limited to quantitative disclosure given that the issues associated with differences in quantitative disclosure requirements between regulatory jurisdictions are likely greater than the problems associated with differences in narrative disclosure requirements? In addition, should there be limitations on which regulatory jurisdictions an adviser may look to for purposes of identifying suitable alternative disclosure requirements and, if so, which jurisdictions should be considered eligible and why?

GMI has a limited perspective on this question since it is only licensed to manage investment portfolios in Canadian jurisdictions. We believe that our clients look to Canadian regulators to protect their interests. As such we are bound by whatever regulations the CSA deems to be fair and appropriate. If we were to expand our business into other sovereign jurisdictions, we would expect to meet whatever regulatory requirements are present there. This would be so even if the regulations were redundant and/or more strenuous than those in Canada.

However, on a practical basis, we also believe that the concept of 'best execution" should not be that different from one country to another. Accordingly, the basis of investment manager disclosers of trade commission management practices should not be wildly divergent either.

Question 4:

Should a separate and longer transition period be applied to the disclosure requirements to allow time for implementation and consideration of any future developments in the U.S.? If so, how long should this separate transition period be?

GMI believes that the proposed transition period is appropriate. If compatibility with future requirements of the SEC becomes a material problem, surely a process to make timely adjustments can be contemplated at the outset of establishing new CSA regulations.

Yours truly,

Greystone Managed Investments Inc.

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